

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

[Third Party Communication:

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Person To Contact:

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Refer Reply To:

CC:INTL

PLR-106270-06

Date:

August 01, 2006

LEGEND

Taxpayer =

Entity A =

Entity B =

Year One =

Year Two =

Country R =

Country S =

Individual =

A

Individual =

B

CPA Firm =

Dear :

This replies to your representative's letter dated January 18, 2006, in which your representative requests on behalf of Taxpayer an extension of time under Treas. Reg. §301.9100-3 to file the election and agreement described in §1.1503-2(g)(2)(i) with respect to dual consolidated losses (DCLs) as defined in §1.1503-2(c)(5) incurred by Entity A in Years One and Two and by Entity B in Year Two and the annual certification described in §1.1503-2(g)(2)(vi)(B) for Year Two with respect to Entity A's Year 1 DCL. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by

an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

Taxpayer is the common parent of a group of corporations that filed a consolidated U.S. federal income tax return for Years One and Two.

Entity A is a Country R corporation, and Entity B is a Country S corporation. Elections were made under Treas. Reg. § 301.7701-3(c) to treat Entity A as a disregarded entity for U.S. federal income tax purposes, and to treat Entity B as a partnership for U.S. federal income tax purposes. Both Entity A and Entity B are dual resident corporations under §1.1503-2(c)(2) because they are both hybrid entity separate units under §1.1503-2(c)(4). As noted above, Entity A incurred DCLs in Years One and Two, and Entity B incurred a DCL in Year Two. Taxpayer included these DCLs in its tax returns for Tax Years 1 and 2. However, Taxpayer did not attach to those returns the requisite elections and agreements required under §1.1503-2(g)(2)(i) for Years One and Two, nor the requisite annual certification required under §1.1503-2(g)(2)(vi)(B) for Year Two.

Individual A is a Vice President/CFO of Taxpayer, and has overall responsibility for all federal tax compliance activities of Taxpayer and its subsidiaries, including the review, filing, and signing of all U.S. federal income tax returns and any forms, schedules, or other statements necessary to comply with the Internal Revenue Code.

Taxpayer engaged CPA Firm to prepare its U.S. federal income tax returns for Years One and Two, and to ensure that all forms, elections and agreements required to properly reflect the intended treatment of the DCLs of its subsidiaries were properly included with those returns. Individual B was a partner with CPA Firm who was responsible for this engagement.

The facts and the affidavits submitted indicate that Taxpayer relied upon CPA Firm to ensure that all requisite elections and statements were included with the returns to properly claim the DCLs. However, when Individual B reviewed the returns for Years One and Two, he inadvertently did not realize that the elections and statements were not included with those returns.

Taxpayer represents that it filed this application for relief before the Internal Revenue Service discovered the failure to file the elections and agreements and the annual certification. Treas. Reg. §301-9100-3(b)(1)(i).

Taxpayer represents that the income tax laws of foreign Country R do not deny the use of losses, expenses, or deductions of Entity A to offset income of another person because Entity A is also subject to income taxation by another country on its worldwide income or on a residence basis.

Taxpayer represents that the income tax laws of foreign Country S do not deny the use of losses, expenses, or deductions of Entity B to offset income of another person because Entity B is also subject to income taxation by another country on its worldwide income or on a residence basis.

Treas. Reg. §301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in §301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. §301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. §301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides the evidence (including affidavits described in §301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

In the present situation, the election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i) and the annual certification described in §1.1503-2(g)(2)(vi)(B) are regulatory elections as defined in §301.9100-1(b). Therefore, the Commissioner has discretionary authority under §301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the rules set forth in §301.9100-3(a).

Based on the facts and representations submitted, we conclude that Taxpayer satisfies the rules set forth in Treas. Reg. §301.9100-3(a). Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter to file the election and agreement described in §1.1503-2(g)(2)(i) with respect to the DCLs incurred by Entity A in Years One and Two and by Entity B in Year Two and the annual certification described in §1.1503-2(g)(2)(vi)(B) for Year Two with respect to Entity A's Year 1 DCL.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the elections and agreements and the annual certification. Treas. Reg. §301.9100-1(a).

A copy of this ruling letter should be associated with the elections and agreements, and the annual certification.

This ruling is directed only to Taxpayer who requested it. I.R.C. §6110(k)(3) provides that it may not be used or cited as precedent.

No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to your first and second listed authorized representatives.

Sincerely,

Associate Chief Counsel (International)

By: /s/ Richard L. Chewning

Richard L. Chewning

Senior Counsel

Office of the Associate Chief Counsel (International)

Enclosures:

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cc: